

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <b>South Central MI Construction Code Inspection</b>		County <b>Calhoun</b>
Audit Date <b>3/31/06</b>		Opinion Date <b>7/28/06</b>		Date Accountant Report Submitted to State: <b>9/7/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

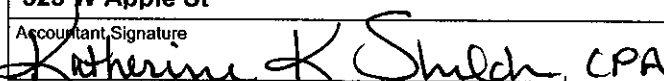
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Walker, Fluke &amp; Sheldon, PLC</b>			
Street Address <b>525 W Apple St</b>		City <b>Hastings</b>	State <b>MI</b>
		ZIP <b>49058</b>	
Accountant Signature 			Date <b>9/7/06</b>

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC**  
**FINANCIAL STATEMENTS**  
**For the year ended March 31, 2006**

## **TABLE OF CONTENTS**

Independent Auditors' Report	1
Management Discussion and Analysis	2 - 4
Basic Financial Statements:	
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12
Additional Supplementary Information:	
Statements of Revenues and Expenses by Location	13



**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
South Central Michigan Construction Code Inspection, Inc

We have audited the accompanying basic financial statements of the business-type activities of South Central Michigan Construction Code Inspection, Inc, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the South Central Michigan Construction Code Inspection, Inc's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Central Michigan Construction Code Inspection, Inc, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of South Central Michigan Construction Code Inspection, Inc, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Central Michigan Construction Code Inspection, Inc's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of South Central Michigan Construction Code Inspection, Inc, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
July 28, 2006

*Walker, Fluke & Sheldon, PLC*

## **South Central Michigan Construction Code Inspection, Inc. Management Discussion and Analysis**

As the Board of the South Central Michigan Construction Code Inspection, Inc., we offer readers of the Code Inspection's financial statements this narrative overview and analysis of the financial activities of South Central Michigan Construction Code Inspection, Inc., for the fiscal year ended March 31, 2006. The analysis focuses on significant financial position and specific issues related to funds and the economic factors affecting the Code Inspection. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 5.

### **Financial Highlights**

- The assets of South Central Michigan Construction Code Inspection, Inc., exceeded its liabilities at the close of the most recent fiscal year by \$69,515 (net assets), compared to \$134,533 last year. Of this amount, 42,677 (unrestricted net assets) may be used to meet the ongoing obligations to the members.
- The government's total net assets decreased by \$65,018, compared to \$20,823 last year.

### **Overview of the Financial Statements**

The South Central Michigan Construction Code Inspection, Inc.'s, basic financial statements comprise two components: 1) fund financial statements, and 2) notes to financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Basic financial statements.** The basic financial statements are designed to provide readers with a broad overview of the Code Inspection's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Code Inspection's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Code Inspection's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Code Inspection's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the basic financial statements distinguish functions of the South Central Michigan Construction Code Inspection, Inc., that are principally supported through user fees and charges (business-type activities).

The basic financial statements can be found on pages 5-7 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. South Central Michigan Construction Code Inspection, Inc., uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the South Central Michigan Construction Code Inspection, Inc., can be divided into one category: proprietary funds.

**Proprietary funds.** The South Central Michigan Construction Code Inspection, Inc., maintains a single proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the basic financial statements. The South Central Michigan Construction Code Inspection, Inc., uses an enterprise fund.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The notes to financial statements can be found on pages 8-12 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information.

Supplementary information is presented immediately following the notes to financial statements on page 13.

### **Basic Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of South Central Michigan Construction Code Inspection, Inc., assets exceeded liabilities by \$69,515 at the close of the most recent fiscal year.

The most significant portion \$42,677 of the Code Inspection's net assets (61.39 percent) reflects its unrestricted net assets, which may be used to meet ongoing obligations to the members. The Code Inspection does not have any restricted net assets, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Code Inspection's net assets (38.61 percent) reflects its investment in capital assets (\$26,838) (e.g. land, buildings, equipment and furniture and fixtures). The South Central Michigan Construction Code Inspection, Inc., uses these capital assets to provide services to members; consequently, these assets are not available for future spending.

### **South Central Michigan Construction Code Inspection, Inc.'s Condensed Financial Data**

	<b>2006</b>	<b>2005</b>
Current and Other Assets	\$ 86,653	\$ 139,074
Capital Assets	26,838	30,065
Total Assets	113,491	169,139
Short-Term Liabilities	43,976	34,606
Long-Term Liabilities	-	-
Total Liabilities	43,976	34,606
Net Assets		
Invested in Capital Assets, Net of Related Debt	26,838	30,065
Restricted	-	-
Unrestricted	42,677	104,468
Total Net Assets	\$ 69,515	\$ 134,533
Business-Type Revenues		
Charges for Services	\$ 1,002,990	\$ 985,707
Other	12,459	21,592
Total Revenues	1,015,449	1,007,299
Business-Type Activities		
Enterprise	1,080,467	1,028,122
Total Expenses	1,080,467	1,028,122
Change in Net Assets	\$ (65,018)	\$ (20,823)

At the end of the current fiscal year, the South Central Michigan Construction Code Inspection, Inc., is able to report positive balances in all categories of net assets.

**Business-Type activities.** Business-type activities decreased the Code Inspection's net assets by \$65,018 mainly due to the fact there has been a significant decrease in permit fee activity in our Tuscola office, while overhead salaries remained constant. In addition, certain permit fees are not at the rate they need to be and fringe benefits for employees continue to increase.

### **Capital Assets**

The Code Inspection's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$26,838 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included a computer. Details of the Code Inspection's capital assets are continued in the notes to financial statements on page 11.

### **Economic Factors and Next Year's Budgets and Rates**

The South Central Michigan Construction Code Inspection, Inc., feels increases in interest rates directly affects the building activity. Because of increased rates, the Code Inspection feels an increase in certain fees is necessary to offset costs. In addition, the Board has plans to consult with a financial analyst to determine ways to decrease costs. The Board approved to change the fiscal year end to September 30, to better coordinate with the operating cycle of building in Michigan. Also, there are ongoing plans for soliciting new members to increase volume.

### **Requests for Information**

This financial report is designed to provide a general overview of South Central Michigan Construction Code Inspection, Inc.'s, finances for all those with an interest in the Code Inspection's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Manager, South Central Michigan Construction Code Inspection, Inc., 103 S Capital St, PO Box 509, Athens, MI 49011. 1-888-249-7077

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.**  
**STATEMENT OF NET ASSETS**  
**March 31, 2006**

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**ASSETS**

Cash and Cash Equivalents	\$ 79,426
Receivables	7,227
Capital Assets (Net of Accumulated Depreciation)	<u>26,838</u>
 Total Assets	 <u>\$ 113,491</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts Payable	\$ 13,415
Escrow Deposits	575
Accrued Liabilities	<u>29,986</u>
 Total Liabilities	 <u>43,976</u>
 Net Assets	
Investment in Capital Assets, Net of Related Debt	26,838
Restricted	-
Unrestricted	<u>42,677</u>
 Total Net Assets	 <u>69,515</u>
 Total Liabilities and Net Assets	 <u>\$ 113,491</u>

The Notes to Financial Statements are an integral part of this statement.



**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS**

**For the Year Ended March 31, 2006**

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Operating Revenues	
Charges for Services	\$ 1,002,990
Other Operating Revenue	<u>12,459</u>
Total Operating Revenues	<u>1,015,449</u>
Operating Expenses	
Salaries and Fringes	893,839
Board and Committee Fees	6,850
Office Supplies	33,040
Bank Service Charges	921
Bad Debt	367
Postage and Delivery	10,817
Insurance	22,466
Printing and Publishing	4,298
Memberships, Training and Dues	1,676
Repairs and Maintenance	3,354
Equipment Rental	2,393
Professional Fees	15,750
Travel	2,827
Rent	56,702
Refunds	323
Telephone	17,127
Utilities	3,830
Depreciation	3,407
Loss on Disposal of Asset	<u>480</u>
Total Operating Expenses	<u>1,080,467</u>
Change in Net Assets	(65,018)
Net Assets-April 1, 2005	<u>134,533</u>
Net Assets-March 31, 2006	<u>\$ 69,515</u>

The Notes to Financial Statements are an integral part of this statement.

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended March 31, 2006**

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Cash Flows From Operating Activities:	
Cash Charges for Services	\$ 1,000,103
Other Operating Revenue	12,459
Cash Payments to Employees for Services	(875,437)
Cash Payments to Suppliers for Goods and Services	<u>(179,748)</u>
Net Cash Provided by Operating Activities	<u>(42,623)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(660)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(660)</u>
Cash Flows From Investing Activities:	
Interest on Cash Equivalents and Investments	<u>-</u>
Net Cash Provided by Investing Activities	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(43,283)
Cash and Cash Equivalents at Beginning of the Year	<u>122,709</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 79,426</u>
Reconciliation of Operating Income to Net Cash	
Used by Operating Activities:	
Operating Income (Loss)	\$ (65,018)
Depreciation	3,407
Gain/Loss on Disposal of Asset	480
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Decrease (Increase) in Accounts Receivable	(2,887)
Decrease (Increase) in Prepaid Expenses	12,025
Increase (Decrease) in Accounts Payable	2,993
Increase (Decrease) in Accrued Liabilities	<u>6,377</u>
Net Cash Provided by Operating Activities	<u>\$ (42,623)</u>

The Notes to Financial Statements are an integral part of this statement.

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2006**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of South Central Michigan Construction Code Inspection, Inc conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by South Central Michigan Construction Code Inspection, Inc:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the South Central Michigan Construction Code Inspection, Inc's overall financial position and results of operations

This and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**REPORTING ENTITY**

South Central Michigan Construction Code Inspection, Incorporated, a governmental joint-venture, was organized in 1997 to administer and enforce certain construction codes and ordinances adopted by each of the member municipalities, provide contractual inspection services and grant administration services to governmental units, private individuals or enterprises, hire competent inspectors, establish appropriate policies and rules for a code enforcement program, arrange for convenient locations where records, permits, and inspections may be obtained, and establish a uniform schedule of fees for permits and inspections. The organization consists of member municipalities, in which each participating municipality selects an elected representative to serve on the Board of South Central Michigan Construction Code Inspection, Incorporated. The members do not have an ownership interest in the Organization, and are not entitled to any share of net assets as a result of termination of membership. As of March 31, 2006, the member municipalities are: City of Albion, Athens Code Inspection, Brady Township, Burlington Township, Burr Oak Township, Burr Oak Code Inspection, Climax Township, Colon Township, Convis Township, South Central Michigan Construction Code Inspection, Inc. of Homer, Homer Township, Leonidas Township, NHPB – Indian Housing Authority, Park Township, Sherman Township, Springport South Central Michigan Construction Code Inspection, Inc. and Wakeshma Township.

On September 30, 2002, South Central Michigan Construction Code Inspection, Incorporated entered into a one year agreement with the County of Tuscola pursuant to Michigan's Intergovernmental Contracts between Municipal Corporations Act. This agreement designates South Central Michigan Construction Code Inspection, Incorporated as its agent with the right to fully exercise the Administrative Power under its current Construction Code. This Administrative Power extends to all inspections and administrative enforcement with the exception of those duties and costs designated to be handled and funded by the Tuscola County Prosecuting Attorney. Although the original one year agreement has expired, the parties continue to progress toward the County becoming a full member of the South Central Michigan Construction Code Inspection, Inc.

On June 20, 2005, South Central Michigan Construction Code Inspection, Incorporated entered into a one year agreement with the City of Bay City to provide inspection services to the City as an independent contractor on an "as needed" basis. On May 25, 2006 the contract was extended under the same terms until June 30, 2007.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements (i.e., the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows) report information on all of the nonfiduciary activities of the government. The South Central Michigan Construction Code Inspection, Inc only has one business-type activity, which relies to a significant extent on fees and charges.

South Central Michigan Construction Code Inspection, Inc. is considered a major individual Enterprise Fund.

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2006**

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**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be available only when cash is received by the government.

Enterprise Funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The South Central Michigan Construction Code Inspection, Inc. reports the following major proprietary fund:

- The Enterprise Fund accounts for operations for the inspection services.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The South Central Michigan Construction Code Inspection, Inc. has elected not to follow private-sector standards.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Bank Deposits** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the basic financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Furniture	10 years
Equipment	5-10 years

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by South Central Michigan Construction Code Inspection, Inc

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2006**

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the South Central Michigan Construction Code Inspection, Inc to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The South Central Michigan Construction Code Inspection, Inc has designated two banks for the deposit of South Central Michigan Construction Code Inspection, Inc funds.

The South Central Michigan Construction Code Inspection, Inc's deposits are in accordance with statutory authority.

At year-end, the South Central Michigan Construction Code Inspection, Inc's deposits were reported in the basic financial statements in the following categories:

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents	\$ 79,426	\$ 79,426
Investments	-	-
Restricted Assets	-	-
Total	<u>\$ 79,426</u>	<u>\$ 79,426</u>

The breakdown between deposits and investments is:

	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 79,271
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>155</u>
Total	<u>\$ 79,426</u>

At March 31, 2006, the South Central Michigan Construction Code Inspection, Inc had deposits with a carrying amount of \$79,271 and a bank balance of \$80,147. Of the bank balance, \$80,147 is covered by federal depository insurance, \$0 is uninsured and \$0 is collateralized.

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2006**

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Business-Type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 15,201	\$ -	\$ -	\$ 15,201
Subtotal	<u>15,201</u>	<u>-</u>	<u>-</u>	<u>15,201</u>
Capital Assets Being Depreciated				
Furniture	1,146	-	-	1,146
Equipment	<u>22,197</u>	<u>660</u>	<u>1,504</u>	<u>21,353</u>
Subtotal	<u>23,343</u>	<u>660</u>	<u>1,504</u>	<u>22,499</u>
Less Accumulated Depreciation for				
Furniture	516	114	-	630
Equipment	<u>7,963</u>	<u>3,293</u>	<u>1,024</u>	<u>10,232</u>
Subtotal	<u>8,479</u>	<u>3,407</u>	<u>1,024</u>	<u>10,862</u>
Net Capital Assets Being Depreciated	<u>14,864</u>	<u>(2,747)</u>	<u>480</u>	<u>11,637</u>
Business-Type Activities Total Capital Assets-Net of Depreciation	<u>\$ 30,065</u>	<u>\$ (2,747)</u>	<u>\$ 480</u>	<u>\$ 26,838</u>

Depreciation expense was charged to programs of the South Central Michigan Construction Code Inspection, Inc as follows:

Business-Type Activities	
Enterprise	<u>\$ 3,407</u>
Total Business-Type Activities	<u>\$ 3,407</u>

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2006**

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**LEASE COMMITMENTS**

The organization has entered into two operating leases for office space. The Athens office lease is noncancellable and expires on April 1, 2006. For the reporting period, rent expense is \$6,710. The Tuscola County office lease is one year in length and expires October 1, 2006. For the reporting period, rent expense is \$49,992.

Future minimum rental payments required under operating leases that have remaining noncancellable lease terms in excess of one year as of March 31, 2006, are as follows:

Year Ending March 31, 2007	<u>\$ 600</u>
	<u>\$ 600</u>

On May 1, 2006, the organization signed a new two-year lease for the Athens Office at \$600 per month.

**RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions. The Organization's Insurance for general liability, excess liability, auto liability, trunk-line liability, errors and omissions, and physical damage (equipment, buildings and contents) is provided through a commercial insurance company. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

**CHANGE IN FISCAL YEAR**

During the year ended March 31, 2006, the organization approved to change its fiscal year end from March 31 to September 30.

**SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.**  
**STATEMENTS OF REVENUES AND EXPENSES BY LOCATION**  
**For the Year Ended March 31, 2006**

	<u>Athens</u>	<u>Tuscola</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 523,925	\$ 479,065	\$ 1,002,990
Other Operating Revenue	<u>7,144</u>	<u>5,315</u>	<u>12,459</u>
Total Operating Revenues	<u>531,069</u>	<u>484,380</u>	<u>1,015,449</u>
Operating Expenses			
Salaries and Fringes	467,945	425,894	893,839
Board and Committee Fees	3,450	3,400	6,850
Office Supplies	14,845	18,195	33,040
Bank Service Charges	830	91	921
Bad Debt	200	167	367
Postage and Delivery	5,365	5,452	10,817
Insurance	11,322	11,144	22,466
Printing and Publishing	2,828	1,470	4,298
Memberships, Training and Dues	1,676	-	1,676
Repairs and Maintenance	2,219	1,135	3,354
Equipment Rental	2,393	-	2,393
Professional Fees	9,099	6,651	15,750
Travel	2,323	504	2,827
Rent	6,710	49,992	56,702
Taxes	323	-	323
Telephone	9,238	7,889	17,127
Utilities	3,676	154	3,830
Depreciation	2,561	846	3,407
Loss on Disposal of Asset	<u>480</u>	<u>-</u>	<u>480</u>
Total Operating Expenses	<u>547,483</u>	<u>532,984</u>	<u>1,080,467</u>
Change in Net Assets	<u>\$ (16,414)</u>	<u>\$ (48,604)</u>	<u>\$ (65,018)</u>